

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5434-01  
Bill No.: Perfected HB 1455  
Subject: Economic Development; Appropriations; Economic Development Department  
Type: Original  
Date: April 25, 2012

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Bill Summary: This proposal modifies provisions relating to the Manufacturing Jobs Act and requires the prioritization of the use of funds in the Missouri Job Development Fund to assist “qualified suppliers.”

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
General Revenue	\$0 or (\$68,405)	\$0 or (\$74,352)	\$0 or (\$75,152)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0 or (\$68,405)</b>	<b>\$0 or (\$74,352)</b>	<b>\$0 or (\$75,152)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
State Road Fund	Less than \$100,000	Less than \$100,000	Less than \$100,000
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>Less than \$100,000</b>	<b>Less than \$100,000</b>	<b>Less than \$100,000</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 10 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
General Revenue	0 or 1 FTE	0 or 1 FTE	0 or 1 FTE
<b>Total Estimated Net Effect on FTE</b>	<b>0 or 1 FTE</b>	<b>0 or 1 FTE</b>	<b>0 or 1 FTE</b>

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
<b>Local Government</b>	<b>Less than \$100,000</b>	<b>Less than \$100,000</b>	<b>Less than \$100,000</b>

## **FISCAL ANALYSIS**

### **ASSUMPTION**

#### **Sections 620.478 and 620.190 Manufacturing Jobs Act**

Officials at the **Budget and Planning (BAP)** assume this proposal modifies the qualified supplier provisions of the Manufacturing Jobs Act. The amount of benefits available for qualified suppliers is not limited. The legislation authorizes up to 6.5 percent of new payroll to be retained, depending upon the amount of the new wages. The amount of benefits awarded to a supplier could exceed the actual new tax revenue generated by new jobs created. If a qualified supplier is eligible for more benefit than can be retained through withholding taxes, the qualified supplier will be issued a refundable tax credit. This proposal could therefore lower General and Total State Revenues by an unknown amount. This program may encourage other economic activity, but BAP does not have data to estimate induced revenues.

Officials at the **Department of Economic Development (DED)** assume this proposal expands the Manufacturing Jobs Act under Section 620.1910 to allow qualified suppliers to receive incentives based on certain eligibility requirements. This revision will increase the number of applicants for the program and therefore increase the amount of incentives authorized, although the cap remains unchanged. DED assumes this proposal would encourage positive economic activity in the state over \$100,000, from the job creation requirements of this proposal.

DED is responsible for determining eligibility of qualified suppliers under the expanded portion of the program and anticipates the need for one additional FTE. This FTE would be an Economic Development Incentive Specialist III (\$40,212) and would be responsible for reviewing applications to determine eligibility for the program and ensuring compliance with the program.

**Oversight** assumes DED could absorb the responsibilities of proposal with existing resources since the cap on the program has not changed.

**Oversight** assumes the changes to this existing program would have a positive impact on the state. However, Oversight considers this to be an indirect impact of the proposal and will not reflect it in the fiscal note.

Officials at the **Department of Revenue (DOR)** assume OA-ITSD (DOR) will need to make programming changes to various tax systems and form changes. The estimated cost of these changes would be \$26,712 for 1,008 FTE hours. Additionally, the Corporate/Withholding Tax Division would need one Revenue Processing Technician I (\$25,380) for every 6,000 additional tax credit redemptions.

ASSUMPTION (continued)

**Oversight** assumes OA-ITSD (DOR) is provided with core funding to handle a certain amount of activity each year. Oversight assumes OA-ITSD (DOR) could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, OA-ITSD (DOR) could request funding through the appropriation process.

**Oversight** assumes DOR's Corporate/Withholding Tax Division could absorb the responsibilities of this tax credit with existing resources. Should DOR experience the number of additional tax credit redemptions to justify another FTE they could seek that FTE through the appropriation process.

**Oversight** assumes that while this proposal may encourage more qualified suppliers to apply for the tax credit, the cap of the tax credit is unchanged. Therefore this proposal would not have a fiscal impact.

**Section 142.869 Alternative Fuel Decals**

In response to similar legislation filed this year, HB1960, the following responded:

Officials from the **Department of Agriculture (AGR)** assume there will be no fiscal impact to their agency.

Officials from the **Office of Administration - Division of Budget & Planning (BAP)** assume this proposal should not result in additional costs or savings to their agency.

The proposal would potentially impact TSR and 18e:

- The proposal increases the alternative fuel decal fees, which would increase TSR and 18e calculations by the amount of the increased fees collected.
- This proposal changes the fund in which the fuel decal fees are deposited. Currently, the fees are deposited into the Motor Fuel Tax Fund where-via statutory formula a portion is eventually disbursed to the State Highways and Transportation Fund after a portion is distributed to local governments. This proposal requires all proceeds from the decal fees to be credited to the State Highways and Transportation Department Fund, which would increase TSR and 18e calculations by the amount currently disbursed per statute, to local government.

Officials from the **Department of Transportation (MoDOT)** assume this proposal will have a positive fiscal impact to MoDOT's revenues as these increased fees would be deposited into the

ASSUMPTION (continued)

State Road Fund. However, with new CAFÉ standards for motor fuel driven vehicles and more vehicles being produced to be fuel efficient, this proposal does not have the significant positive fiscal impact that it once was believed to have. The current fee brought in \$67,000 in FY 2011. An approximate 87% increase in the fee would bring in approximately \$59,000 additional revenue. Thus, the fiscal impact would be a positive less than \$100,000.

Officials from the **Department of Revenue (DOR)** assume Section 304.155 would require revision of procedures to be revised by a Management Analyst Special I requiring 40 hours of overtime at a cost of \$1,182 in FY 13. The application for special fuel decal (DOR-2300) will need to be revised. This would require 40 hours of overtime for a Management Analyst Specialist I, at a cost of \$1,182 in FY 13. The DOR's web site would need to be updated. This would require 10 hours of overtime for an Administrative Analyst III, at a cost of \$319 in FY 13. Total cost for FTE in FY 13 is \$2,683.

**Oversight** assumes this could be accomplished during the normal budgetary process. Should the extent of this work be more than anticipated the agency could request additional appropriation and/or FTE through the budget process.

**Section 620.1881 Missouri Quality Jobs Act**

In response to similar legislation filed this year, HB 1455 the following responded:

Officials at the **Budget and Planning (BAP)** assume to the extent that this proposal would increase a business's ability to retain withholding taxes, General and Total State Revenues would be reduced. This program may encourage other economic activity, but BAP does not have data to estimate the induced revenues. The Department of Economic Development may have such estimate.

Officials at the **Department of Economic Development (DED)** assume this proposed legislation modifies the job retention component of the Missouri Quality Jobs Act under Section 620.1881. It extends the job retention expiration date from August 30, 2013 to August 30, 2018 and revises other areas of the program. While it does not affect the overall annual \$80 million cap of the program, there is the potential for an increase in the number of applications received. The Department's analysis of the program indicates a positive net fiscal benefit; therefore, DED assumes a positive fiscal impact over \$100,000 as a result of the proposal.

ASSUMPTION (continued)

Officials at the **Department of Insurance, Financial Institutions and Professional Registration, Division of Workforce Development** and the **Department of Revenue** assume that there is no fiscal impact from this proposal.

**Oversight** assumes the changes to existing programs in this proposal would have a positive impact on the state. However, Oversight considers this to be indirect impact of the proposals and will not reflect them in the fiscal note.

**Oversight** assumes this proposal extends the sunset of the Job Retention Tax Credit while reducing the amount of available funds for the rest of the Quality Jobs Tax Credits. Since the Job Retention Tax Credits are part of the Missouri Quality Jobs Tax Credits and the program cap is \$80 million this proposal has no impact on General or Total State Revenue.

**Section 620.1878 and 620.1881 Missouri Quality Jobs**

In response to similar legislation filed this year, HB 1245, officials at the **Budget and Planning** assume this proposal may reduce General and Total State Revenues by an unknown amount. This proposal may encourage other economic activity. Budget and Planning cannot estimate the induced revenues. The Department of Economic Development may have such an estimate.

Officials at the **Department of Economic Development (DED)** assume this proposal revises the Missouri Quality Jobs program, which is administered by DED's Division of Business and Community Services. The overall annual cap of \$80 million is not affected; however, the proposal includes additional incentives under the program, which may increase the number of applications for the program. Reporting requirements to the House and Senate are added and the proposal also allows for recapture of tax credits if the qualified company does not meet requirements, which creates additional oversight and administration. DED's analysis of the program indicates a positive net fiscal benefit; therefore, DED assumes a positive fiscal impact over \$100,000 as a result of the proposal.

DED requests one FTE, an Economic Development Incentive Specialist III (\$40,212) position, per the additional administration created by the proposal. The position would be responsible for reviewing the tax credit applications to make sure they meet the criteria of the program, certifying the project, drafting and sending the tax credit awards, and ensuring compliance with the program.

**Oversight** assumes since the program cap has not changed that DED could absorb the increased number of applications generated by this proposal. If there is a measurable increase in the

ASSUMPTION (continued)

number of applications as a direct result of this proposal then DED could request additional resources through the appropriation process.

**Oversight** assumes the many programs and changes to existing programs in this proposal could have a positive impact on the state. However, Oversight considers this to be indirect impact of the proposal and will not reflect them in the fiscal note.

**Sections 620.007, 620.009 and 620.019 DED Requirements**

Officials at the **Department of Economic Development (DED)** assume this proposal expands the current level of due diligence conducted by DED on applications for economic development assistance.

DED's Division of Business and Community Services requests two FTE in order to implement the proposed legislation. These FTE will be one Fiscal and Administrative Manager-Band II position and one Accounting Specialist III position. The Accounting Specialist position will be responsible for analyzing and interpreting financial statements and other financial documentation regarding the applicant to determine financial stability. The Fiscal and Administrative Manager Band II will be responsible for management and oversight of the new requirements.

Section 1 requires DED to include conflict of interest policies in all new consulting contracts for trade offices located in foreign countries. This provision would have no fiscal impact.

**Oversight** assumes this proposal in section 620.007 requires applicants for economic development assistance to provide certain information to DED. The proposal does not specify any requirements for review or analysis of the provided information. Therefore DED should be able to collect the required information with existing staff.

**Oversight** assumes this proposal in section 620.009, requires the sharing of information concerning a company seeking economic incentives. Since state and local governments would be reviewing the information about the company seeking the economic incentives this proposal would have no fiscal impact.

**Oversight** notes this proposal requires the notification of local governments of DED's opinion on proposals for economic development that have both local and state resource incentives. Oversight assumes that since the state is already involved in the evaluation of the proposed incentives that DED may be able to handle these new responsibilities with existing staff. Oversight will show the fiscal impact as being zero (no FTE) to the cost of one Fiscal and Administrative Manager to potential oversee the coordination of the dissemination of the information.

ASSUMPTION (continued)

**Section 67.1305 Economic Development Tax Board**

In response to similar legislation filed this year, HB 1623, the following responded:

Officials from the **City of Columbia, City of Kansas City, City of Raytown, Department of Economic Development, Department of Revenue, Mexico School District, Parkway School District** and the **St. Louis County** assume there is no fiscal impact from this proposal.

Officials from the **City of Liberty** state that this proposal would place an unfunded mandate on the City if a municipal election were required for each economic development project. The City also states that municipal elections cost an average of \$25,000 not including the costs for election education materials.

**Oversight** assumes this proposal changes the number of members allowed on the economic development tax board, rather than requiring municipal elections for economic development projects and therefore has no fiscal impact.

**Section 1 Linked Deposit Loan Package**

Officials at the **Department of Economic Development** assume there is no fiscal impact from this proposal.



<u>FISCAL IMPACT - State Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
<b>GENERAL REVENUE</b>			
<u>Cost - Dept of Economic Development</u>			
Personal Service	\$0 or (\$38,060)	\$0 or (\$46,129)	\$0 or (\$46,590)
Fringe Benefit	\$0 or (\$20,149)	\$0 or (\$24,421)	\$0 or (\$24,665)
Equipment and Expenses	<u>\$0 or (\$10,196)</u>	<u>\$0 or (\$3,802)</u>	<u>\$0 or (\$3,897)</u>
<u>Total Cost - DED</u>	\$0 or (\$68,405)	\$0 or (\$74,352)	\$0 or (\$75,152)
FTE Change - DED	0 or 1 FTE	0 or 1 FTE	0 or 1 FTE
<u>Potential Savings- MO Quality Jobs tax credit (620.1881)</u>	\$0	\$0 to \$3,000,000	\$0 to \$3,000,000
<u>Potential Cost - Job retention tax credit extension of sunset (620.1881)</u>	\$0	\$0 to (\$3,000,000)	\$0 to (\$3,000,000)
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b><u>\$0 or (\$68,405)</u></b>	<b><u>\$0 or (\$74,352)</u></b>	<b><u>\$0 or (\$75,152)</u></b>
Estimated Net FTE Change on General Revenue	0 or 1 FTE	0 or 1 FTE	0 or 1 FTE
<b>STATE ROAD FUND</b>			
<u>Revenue - Department of Transportation Alternative Fuel Decals</u>	Less than <u>\$100,000</u>	Less than <u>\$100,000</u>	Less than <u>\$100,000</u>
<b>ESTIMATED NET EFFECT ON STATE ROAD FUND</b>	<b><u>Less than \$100,000</u></b>	<b><u>Less than \$100,000</u></b>	<b><u>Less than \$100,000</u></b>
<u>FISCAL IMPACT - Local Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
<b>CITIES AND COUNTIES</b>			
<u>Revenue - Alternative Fuel Decals</u>	Less than <u>\$100,000</u>	Less than <u>\$100,000</u>	Less than <u>\$100,000</u>
<b>ESTIMATED NET EFFECT ON CITIES AND COUNTIES</b>	<b><u>Less than \$100,000</u></b>	<b><u>Less than \$100,000</u></b>	<b><u>Less than \$100,000</u></b>

### FISCAL IMPACT - Small Business

Small businesses may be impact by provisions of this proposal.

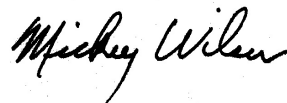
### FISCAL DESCRIPTION

This proposal modifies provisions relating to the Manufacturing Jobs Act and requires the prioritization of the use of funds in the Missouri Job Development Fund to assist "qualified suppliers."

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

### SOURCES OF INFORMATION

Budget and Planning  
City of Columbia  
City of Kansas City  
City of Liberty  
City of Raytown  
Department of Agriculture  
Department of Economic Development  
Department of Revenue  
Division of Workforce Development  
Mexico School District  
Missouri Department of Transportation  
Parkway School District  
St. Louis County



Mickey Wilson, CPA  
Director  
April 25, 2012